

**REPORT OF THE AUDIT OF THE
FAYETTE COUNTY
SHERIFF**

**For The Year Ended
December 31, 2005**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FAYETTE COUNTY SHERIFF

**For The Year Ended
December 31, 2005**

The Auditor of Public Accounts has completed the Fayette County Sheriff's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statements present fairly, in all material respects, the revenues, and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Fayette County Sheriff had total receipts of \$6,634,734, which was a \$1,470,543 increase over the prior year. Except for reimbursed expenses, the sheriff paid 25% of receipts to the Lexington-Fayette Urban County Government in the amount of \$897,766. This was an increase of \$228,232 over the prior year. In addition, disbursements increased by \$20,531.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jim Newberry, Mayor, Lexington-Fayette Urban County Government
Honorable Kathy H. Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County Government Council

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the Sheriff of Fayette County, Kentucky, and the statement of revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2005. These financial statements are the responsibility of the Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2005, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2006 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Jim Newberry, Mayor, Lexington-Fayette Urban County Government
Honorable Kathy H. Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County Government Council

This report is intended solely for the information and use of the Sheriff, Lexington-Fayette Urban County Government Council, and Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
November 9, 2006

FAYETTE COUNTY
KATHY H. WITT, SHERIFF
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2005

Revenues

Federal Grants		\$	138,613
State Grants			150,505
State Fees for Services			508,259
State - HB 452 Funds			310,230
Circuit Court Clerk			24,048
County Clerk			18,535
Commission on Taxes			4,436,175

Fees Collected for Services:

Auto Inspections	\$	115,250	
Serving Papers		106,825	
Executions		126	
Carrying Concealed Deadly Weapon Permits		69,355	
Sheriff's Advertising Fees		7,005	
Miscellaneous		4,085	302,646

Other Revenues:

Add-On Fees		459,584	
Interest Earned		223,900	
Miscellaneous		62,239	745,723

Total Revenues			6,634,734
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Expenditures

Payments to State:

Carrying Concealed Deadly Weapon Permits	46,530
Jury Meals	6,560

Total Expenditures		53,090
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Net Revenues		6,581,644
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Payments to State Treasurer:

75% Operating Fund	5,683,878	
25% County Fund	897,766	6,581,644

Balance Due at Completion of Audit		\$ 0
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The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
KATHY H. WITT, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2005

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2005	\$ 195,417	\$	\$ 195,417
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	5,683,878		5,683,878
Fees Paid to State - County Funds (25%)		897,766	897,766
Total Funds Available	5,879,295	897,766	6,777,061
<u>Expenditures</u>			
Payments To Lexington Fayette			
Urban County Government		897,766	897,766
Personnel Services-			
Sheriff's Salary	91,024		91,024
Sheriff's Training Incentive	3,194		3,194
Deputies' Salaries	2,485,687		2,485,687
Other Salaries	90,104		90,104
Overtime Gross	55,817		55,817
Employee Benefits-			
Employer's Share Social Security	192,032		192,032
Employer's Share Retirement	456,591		456,591
Employer's Paid Health Insurance	249,373		249,373
Other Payroll Disbursements	28,840		28,840
Contracted Services-			
Office & Computer Equipment	89,887		89,887
Maintenance Contracts	31,168		31,168
Materials and Supplies-			
Office Materials and Supplies	42,376		42,376
Uniforms	42,420		42,420
Gasoline	87,120		87,120

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
KATHY H. WITT, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Year Ended December 31, 2005
(Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures (Continued)</u>			
Other Charges-			
COBRA Insurance	\$ 1,295	\$	\$ 1,295
Dues	4,025		4,025
Postage	46,072		46,072
Vehicle Maintenance and Repairs	40,455		40,455
Vehicle Insurance	207,244		207,244
Miscellaneous	13,797		13,797
Utilities	4,848		4,848
Parking	18,160		18,160
Phone Service	21,149		21,149
Radio Equipment	15,783		15,783
Rent	12,454		12,454
Tower Rental	9,000		9,000
Training	2,986		2,986
VAWA Service Contract	1,798		1,798
VOCA Consultation	6,887		6,887
Capital Outlay-			
Office Equipment	67,993		67,993
Vehicles	59,702		59,702
Total Expenditures	4,479,281	897,766	5,377,047
Fund Balance - December 31, 2005	\$ 1,400,014	\$ 0	\$ 1,400,014

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the Sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2005
- Payroll expenditures incurred but not paid

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent for the first six months and 25.01 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005
(Continued)

Note 4. Leases

- A. The office of the Sheriff was committed to a lease agreement with Custom Solutions Inc. for the leasing of hardware. The agreement requires a monthly payment of \$600 for 36 months to be completed on October 1, 2008. The total remaining balance of the agreement was \$19,800 as of December 31, 2005.
- B. The office of the Sheriff was committed to a lease agreement with Custom Solutions Inc for the leasing of software. The agreement requires a monthly payment of \$600 for 12 months to be completed on October 1, 2006. The total remaining balance of the agreement was \$5,400 as of December 31, 2005.

Note 5. Rental Agreements

The Sheriff is committed to the following rental agreements as of December 31, 2005: A verbal agreement with The Gibson Company for real property at 340 and 346 South Broadway Park, Lexington, KY. The agreement required a monthly payment of \$935.

The Sheriff also leases storage space for \$1,234 per year and a radio tower for \$9,000.

Note 6. Return Of Fugitive Account

The Sheriff maintains a separate bank account for expenses incurred during the return of fugitives. The Sheriff's Office incurs expenses for these trips and requests reimbursement from the state. The reimbursements are then deposited into the bank account at which time the expenses are paid. The beginning balance was \$488. There were receipts of \$67,692 and disbursements of \$62,812 leaving a balance of \$5,368.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jim Newberry, Mayor, Lexington-Fayette Urban County Government
Honorable Kathy H. Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County Government Council

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Fayette County Sheriff for the year ended December 31, 2005, and have issued our report thereon dated November 9, 2006. The Sheriff's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fayette County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Fayette County Sheriff's financial statements as of December 31, 2005, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

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Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
November 9, 2006

